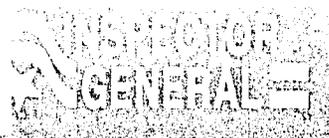
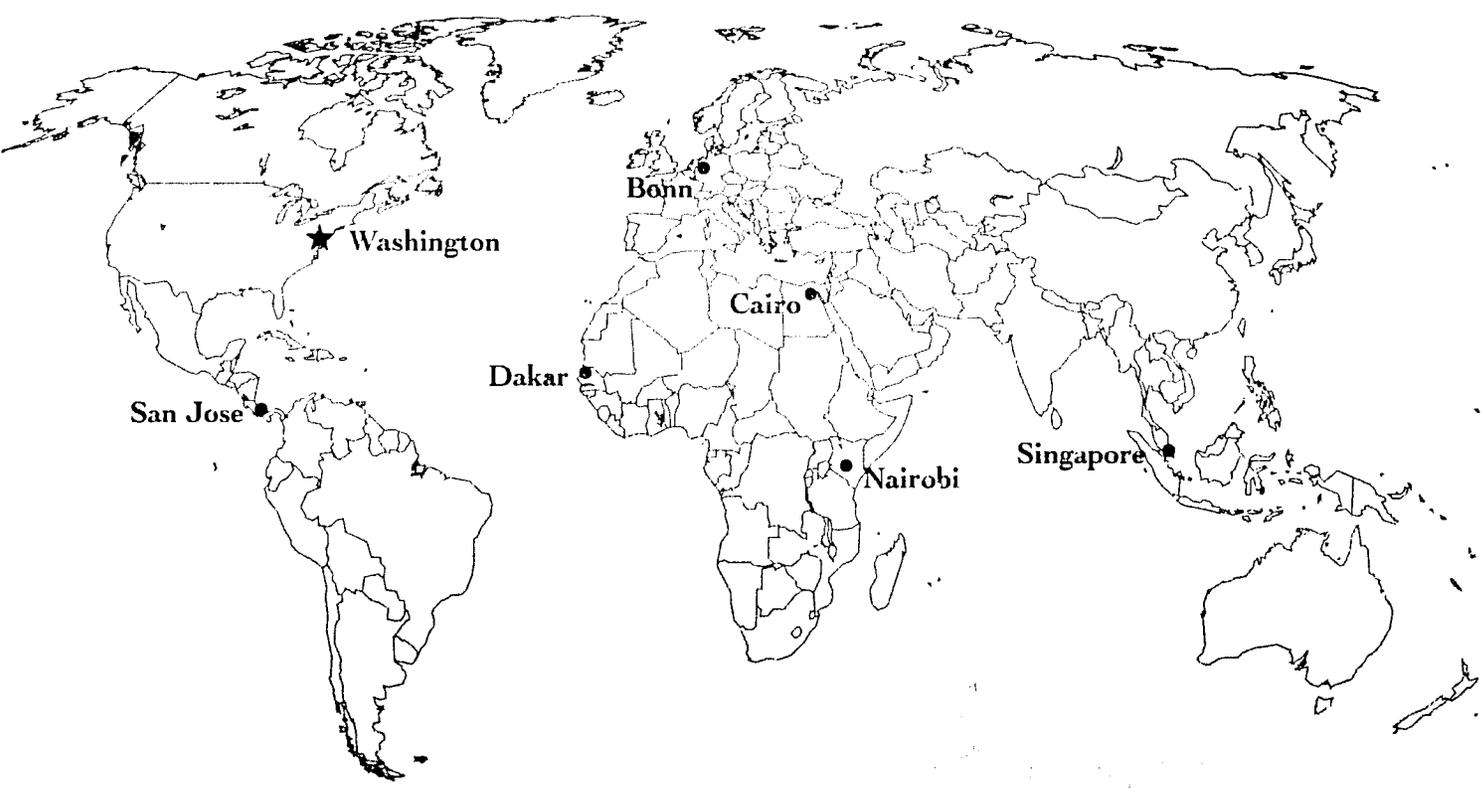


PD ARM-009

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
REDSO/ESA's P.L. 480 Title II Program in Southern Sudan

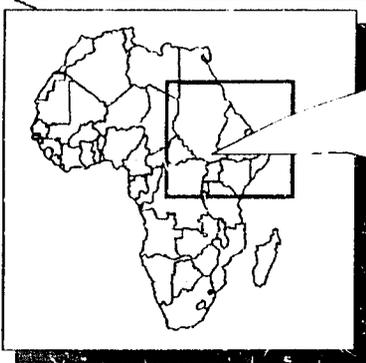
Report No. 3-650-95-018
September 8, 1995



**Audit of
REDSO/ESA's P.L. 480 Title II Program in Southern Sudan**

**Report No. 3-650-95-018
September 8, 1995**

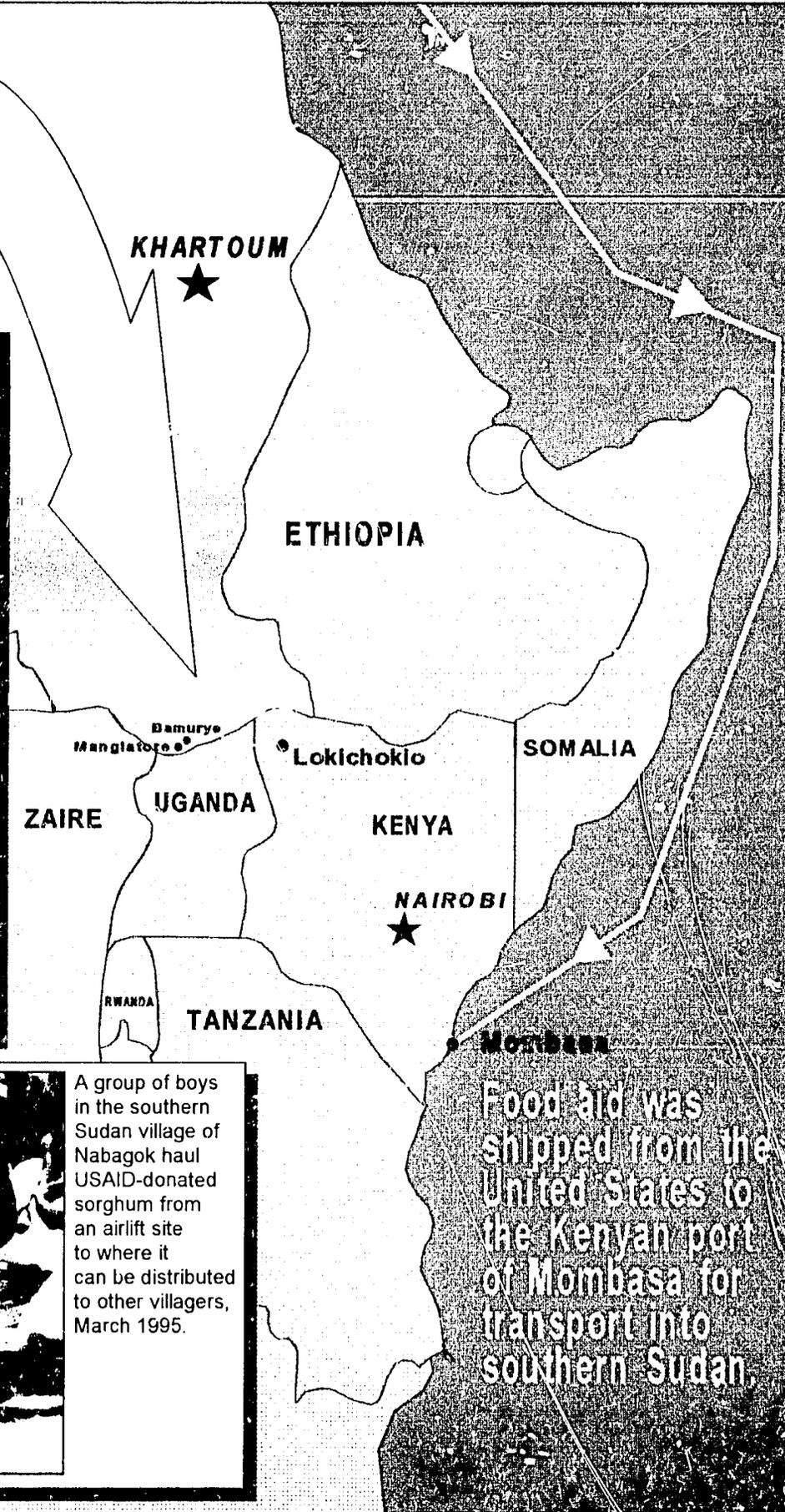
Southern Sudan P.L. 480 Food Relief Effort



Resident of Labone, Sudan pounds USAID-donated sorghum into meal, October 1994.



A group of boys in the southern Sudan village of Nabagok haul USAID-donated sorghum from an airlift site to where it can be distributed to other villagers, March 1995.



Food aid was shipped from the United States to the Kenyan port of Mombasa for transport into southern Sudan.



September 8, 1995

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

To: Director, REDSO/ESA, Keith Brown

From: RIG/A/Nairobi, Everette B. Orr *Everette B. Orr*

Subject: Audit of REDSO/ESA's P.L. 480 Title II Program in
Southern Sudan

*Regional
Inspector General
for Audit/Nairobi*

Attached are three copies of the subject report, Report No. 3-650-95-018. We have reviewed your comments on our draft report and have included them as Appendix II.

The report contains three recommendations addressed to you. Based on actions that you have already taken, all recommendations are closed upon issuance of the report.

I appreciate the cooperation and courtesies extended to my staff during the audit.

EXECUTIVE SUMMARY

Background

Sudan is the largest country on the African continent with a land mass equivalent to that of the United States east of the Mississippi River. The country is divided between north and south along ethnic and religious lines. The ensuing tensions have plunged Sudan into unending warfare that has been concentrated in the south, an area that has been ravaged by war for 28 of the last 38 years. The latest period of war started in 1983, when the Sudanese People's Liberation Army (SPLA) took up arms against the Islamic government in the north. To date, more than a million people are estimated to have died from the war, drought, famine, or disease. Another estimated 650,000 people in southern Sudan and two million in northern Sudan have been displaced by the fighting. About 400,000 have fled as refugees to neighboring countries, intensifying the economic and political problems of other countries in the region.

To help alleviate the suffering, the United States Government decided to provide humanitarian aid in the form of food, medicine, and other non-military assistance. USAID did this through the P.L. 480 Title II program, which supports emergency feeding programs and regular food aid programs sponsored by nongovernmental organizations (NGOs), foreign governments, and multilateral institutions, such as the World Food Program. On behalf of USAID, four NGOs were primarily involved in distributing food aid—Catholic Relief Services (CRS), World Vision International (WVI), Norwegian People's Aid (NPA), and Mercy Corps International (MCI). MCI used another NGO, the Association of Christian Resource Organizations Serving Sudan (ACROSS), to carry out its portion of the food aid distribution. ACROSS eventually withdrew from this humanitarian effort due to its inability to successfully deliver food aid. The United Nations World Food Program (WFP) was also a major recipient of emergency food, but WFP's activities were outside the scope of this audit. All Title II commodities going into Sudan consists of emergency aid.

For fiscal years 1993 and 1994, the U.S. Government provided about \$192 million of food aid and other humanitarian assistance to Sudan. Most of this

money came from USAID's Office of Foreign Disaster Assistance (OFDA) and the Office of Food For Peace to help fund the cost of food aid and its delivery to areas of southern Sudan. The relief operation was managed out of Nairobi by the Sudan Field Office (SFO).

Audit Objective

As part of its fiscal year 1995 audit plan, the Regional Inspector General in Nairobi, initiated this audit to assess the adequacy of the delivery system for transporting P.L. 480 Title II emergency assistance from the port of Mombasa, Kenya to southern Sudan during fiscal years 1993 and 1994.

Specifically, the audit was designed to answer the following question:

Did the Sudan Field Office and nongovernmental organizations ensure that food aid commodities were properly delivered to the distribution sites as required by the agreements?

Summary of Audit Findings and Recommendations

The audit determined that the substantial majority of food aid commodities were being delivered to the distribution sites as required by the agreements. However, some problems with food diversions, population estimates of displacement camps, undelivered food, and tracking of commodity losses were found.

The audit disclosed the unique role played by NGOs in working with USAID and the local communities to facilitate the delivery of food aid. Relief personnel involved in this enormous humanitarian effort face many challenges due to the civil war. Nonetheless, by moving over 49,000 metric tons (mts) of U.S.-donated food to distribution points in southern Sudan, the SFO has made a positive impact on the tragedy in southern Sudan.

Diversions of Emergency Food Aid to Unintended Beneficiaries

Some food losses were unavoidable in a commodity distribution chain stretching over 850 miles (about 1,400 kilometers) inland to a country torn by civil war. Food was also diverted to unintended beneficiaries such as market

profiteers and the military. The audit disclosed numerous incidents of both these kinds of losses. (See page 7 and Appendix III.)

NGO Withdraws From Food Aid Effort Due to Inability to Deliver

In December 1993, MCI signed an agreement with USAID to deliver 3,000 mts of food aid to certain areas of southern Sudan. Mercy Corps established an implementing partner relationship with ACROSS, an indigenous NGO, but ACROSS was unable to perform that role and ceased their food aid operations in November 30, 1994. ACROSS actually delivered only 757 mts of their total commitment of 3,000 mts. Primarily, ACROSS had difficulty transporting food aid when security concerns made airdropping and airlifting the only feasible mode of transporting food and no funds could be identified to do this.

In December 1994, ACROSS requested approval from REDSO/ESA to transfer its remaining food aid stocks of about 1,850 mts to another NGO. Although NPA, which had been distributing food in the same areas as ACROSS, agreed to receive and distribute the food on behalf of ACROSS, the food stocks were still in the warehouse in Nairobi two months later and the transfer had not been made. We visited two of the displacement camps served by ACROSS and found food aid supplies needed desperately. The people at one of the two camps (Bamurye) had not received food aid supplies for seven months and we recommended immediate action. The SFO responded immediately to ensure food was delivered to these areas, a fact we later verified. Our recommendations with respect to these issues were addressed and are considered closed. (See page 9.)

Concern Over Population Estimates for Mangalore Displacement Camp

Population estimates for Mangalore Displacement Camp could not be confirmed. This occurred partly because NPA had recently begun food aid delivery to the Camp after taking over from ACROSS and NPA had not yet determined the population. This lack of reasonable population estimates could result in excess food aid commodities being misdirected to the military or market profiteers. We believe inaccurate population estimates could be a problem at other distribution sites and with other NGOs as well. Therefore, we are recommending REDSO/ESA require all NGOs to ensure the reasonableness of population estimates by using headcounts and/or registries. (See page 13.)

Suspended Food Aid Deliveries Could Affect 150,000 People

After NPA began making food aid deliveries to Bamurye and Manglalore, they were forced to discontinue all food aid deliveries in April 1995 because USAID's Washington Office of Food for Peace in the Bureau for Humanitarian Response (BHR/FFP) had not provided NPA with funding for internal transit, shipping, and handling (ITSH) costs. At least 150,000 people of NPA's total beneficiary population of 285,000 faced starvation. Subsequent to the audit, BHR/FFP has provided adequate internal transit, shipping, and handling funds to NPA to resume food aid deliveries to southern Sudan and we are not making a recommendation. (See page 14.)

A System for Tracking Inland Freight Losses and Claims Needs to be Established

The Sudan Field Office lacked a system to track food loss reports filed and claims made by NGOs as required by USAID Regulation 11. We did not determine why this occurred and the SFO did not know if the NGOs were following up on losses occurring during the delivery process. Some of the NGOs did not always file loss reports promptly or pursue claims against transporters. We estimate claims in arrears that should have been filed amounted to at least \$65,000 for all of the NGOs. We are recommending the Sudan Field Office of REDSO/ESA: (1) require the NGOs to recover claims amounting to at least \$65,000 for food losses, (2) establish a system to ensure that loss reports are submitted timely, claims are filed promptly, and the status of losses, claims, and recoveries is reported regularly. (See page 15.)

Over 400 Metric Tons of Commodities Unfit for Human Consumption

REDSO/ESA needs to follow-up on three consignments of food aid commodities unfit for human consumption. NPA borrowed 311 mts of maize from the World Food Program valued at about \$124,400 that was subsequently found to be unfit. CRS made a local procurement of 94 mts of beans valued at \$16,000 for relief distribution that were found to be too dried out to be cooked. These two incidents occurred because food aid commodities were not inspected prior to delivery. In a third incident, about \$13,000 worth of maize (24 mts) had to be abandoned by NPA-contracted trucks in a desolate area of southern Sudan when the trucks became immobilized in mud. Although this incident happened over a year ago, the trucks had never been recovered and the condition of the maize had not yet been confirmed. Therefore, NPA never

filed a loss report. These losses total 429 mts of food aid which, without replacement, would not go to feed the people in southern Sudan. Total approximate value of these commodities is \$153,400. We are recommending REDSO/ESA require the responsible NGOs to: (1) negotiate for the replacement of the 311 metric tons of maize received from the World Food Program and ensure destruction of the unfit commodities, (2) determine the condition of the 24 metric tons of abandoned food and file a loss report if necessary, and (3) require all the cooperating sponsors under the program to include in their procedures, appropriate steps for ensuring the quality of locally-procured food before the food is purchased. (See page 18.)

Management Comments and Our Evaluation

REDSO/ESA concurred with our findings and recommendations and suggested some editorial changes which we incorporated into the report. To implement the first recommendation, REDSO/ESA established new procedures aimed at ensuring reasonableness of population estimates. On the second recommendation, they initiated the food losses recovery process and started a new system for tracking food losses and claims that included new reporting requirements for the NGOs. They addressed the third recommendation by negotiating with the World Food Program for replacement of the 311 mts of food that was spoiled and obtaining WFP's commitment to assist in destroying the unfit food. In addition, REDSO/ESA asked the Norwegian People's Aid to follow and report on the 24 mts of food left in the desert.

Based on the actions taken as described above, all the recommendations are closed on issuance of the report.

Office of the Inspector General
Office of the Inspector General
September 8, 1995

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This convoy of burned military trucks (above) near Manglalore, Sudan, stand as mute testimony to the violence of this region where relief aid is being delivered. At far left center, human bones and spent ammunition litter the area near the destroyed trucks where Government and rebel soldiers clashed. The boy with the SPLA soldier (far left, bottom) was not even born when the most recent round of fighting started in 1983. The human toll of this war is evident everywhere in southern Sudan. This man (left) lost his leg in a landmine explosion and was fitted with a prosthetic at a hospital in Lokichokio, Kenya, being run by the International Committee of the Red Cross. February 1995.

INTRODUCTION

Background

Sudan is the largest country on the African continent with a land mass equivalent to that of the United States east of the Mississippi River. The country is divided between north and south along ethnic lines (Arab and African) as well as by religion (Islam and Christian). The ensuing tensions have plunged Sudan into a seemingly never-ending round of warfare. The fighting has been concentrated in the southern half of the country which has been ravaged by war for 28 of the last 38 years. The latest period of war started in 1983, when the Sudanese People's Liberation Army (SPLA) took up arms against the fundamentalist Islamic government in the north. The people of southern Sudan believe they are being exploited by the north with a policy of ethnic and religious oppression. Government of Sudan troops and SPLA forces have pounded each other with artillery, mortars, and heavy machine guns for the last 12 years.

Caught in the cross fire, more than a million people are estimated to have died from the war, drought, famine, or disease during that time. Another estimated 650,000 people in southern Sudan and 2 million in northern Sudan have been forced from their homes and farms by the fighting. About 400,000 of those people have fled as refugees to neighboring countries. This war intensifies the political and economic problems of the Greater Horn of Africa region as Sudanese refugees flee into Uganda, Zaire, Kenya, and Ethiopia. At the time of this report, this escalating war of ideology continues with no end in sight.

To help alleviate the human suffering from this war, the U.S. Government decided to provide humanitarian aid in the form of food, medicine, and other non-military assistance. USAID was tasked to deliver the food aid through the P.L. 480 Title II program. The P.L. 480 Title II supports emergency feeding programs and regular food aid programs sponsored by nongovernmental organizations (NGOs), foreign governments, and multilateral institutions, such as the United Nation's World Food Program.

The USAID food aid to southern Sudan is being distributed by NGOs and the World Food Program. This use of NGOs for this food aid program is authorized under the Horn of Africa Act of 1992 which states,

"...the United States should provide developmental assistance to those countries in the Horn of Africa by supporting U.S. indigenous, and international private voluntary organizations working in those countries. Such assistance should be expanded as quickly as possible."

Due to the continuing civil war in southern Sudan, the logistics base for relief operations is the United Nations base camp site located in Lokichokio, Kenya, from which the majority of international assistance is transported by air and road. All Title II commodities going into Sudan consists of emergency aid. For fiscal years 1993 and 1994, the U.S. Government provided about \$192 million of food and humanitarian assistance to Sudan.¹ Most of this money came from USAID's Office of Foreign Disaster Assistance (OFDA) and Office of Food For Peace (FFP) to help fund the cost of food aid and its delivery to areas of southern Sudan. This food aid delivery lifeline, from the port of entry at Mombasa, Kenya to the distribution sites in southern Sudan, is the subject of this audit.

Food supplies for southern Sudan were initially received in Mombasa by ship from the United States, then transported by truck directly to food sites in southern Sudan, if accessible by road. If not accessible, food supplies were transported by truck to Lokichokio in northern Kenya, some 850 miles (about 1,400 kilometers) from Mombasa. From there, the food was either airlifted, that is, flown to a distribution site and off-loaded, or air-dropped² from C-130 Hercules aircraft at designated sites in southern Sudan. As a matter of expediency, food aid was also transported by road through northern Uganda into the Western Equatoria region of southern Sudan. With voluminous food

¹ Of the \$100 million provided by the U.S. Government for fiscal year 1993, 85 percent was for southern Sudan. That amount included \$47 million from USAID's Office of Foreign Disaster Assistance, \$46 million from USAID's Office of Food for Peace, \$5 million from the U.S. Department of Agriculture, and \$760,000 for an anti-locust campaign. In fiscal year 1994, the U.S. provided \$92 million for food and other assistance to Sudan.

² In areas where the lack of landing strips prohibited planes from landing and off-loading supplies, the food aid was dropped from low-flying cargo planes at designated drop sites. The food was triple-bagged at Lokichokio, Kenya and dropped on pallets to help prevent the sacks from breaking open on impact. The NGOs involved in the airdrops reported recovery rates of the food on the ground of 95-99 percent.

shipments being transported hundreds of miles through sometimes hostile territory and difficult terrain, transport of relief supplies is a critical problem in southern Sudan and causes serious limitations to effective relief operations. Nevertheless, over 49,000 metric tons (mts) of U.S.-donated emergency food aid were delivered during the two-year audit period in spite of the insecurity and a decimated road infrastructure.

The relief operation was coordinated and managed out of the Sudan Field Office (SFO) in Nairobi, which was established in March 1993. The SFO remained an autonomous management unit until October 1994 when it officially became a part of the Regional Economic Development Services Office for Eastern and Southern Africa (REDSO/ESA) in Nairobi.

Audit Objective

As part of its fiscal year 1995 audit plan, the Regional Inspector General in Nairobi initiated this audit to assess the adequacy of the delivery system for transporting P.L. 480 Title II emergency assistance from Mombasa, Kenya to southern Sudan during fiscal years 1993 and 1994.

Specifically, the audit was designed to answer the following question:

Did the Sudan Field Office and nongovernmental organizations ensure that food aid commodities were properly delivered to the distribution sites as required by the agreements?

Appendix I contains a complete discussion of the scope and methodology for this audit.



Sorghum arrives at the port of Mombasa from the United States in barges (above) and is syphoned off into a bagging machine where the grain is put in USAID-marked bags. The bags are stored in a warehouse in Mombasa (left) until they can be trucked to Lokichokio and into southern Sudan for distribution. Catholic Relief Services uses portable tents (below) to store the grain it distributes at various locations throughout its delivery area. In areas where roads are impassable, some nongovernmental organizations airlift the sacks of grain (bottom) to dirt landing strips. October 1994-March 1995.



REPORT OF AUDIT FINDINGS

Did the Sudan Field Office and nongovernmental organizations ensure that food aid commodities were properly delivered to the distribution sites as required by the agreements?

The audit determined that the substantial majority of food aid commodities were being delivered to the distribution sites as required by the agreements. The operational plans of the agreements were constantly being updated to reflect changing conditions and locations of displaced target populations, famine levels, and military activities. This presented a unique challenge to the nongovernmental organizations (NGOs) delivering the food aid for USAID as the fighting in southern Sudan forced the target population into constant movement. However, some problems with food diversions, population estimates of displacement camps, undelivered food, and tracking of commodity losses were found.

The audit disclosed the unique role played by NGOs in working with USAID, the Sudan Relief and Rehabilitation Agency (SRRA), and the local communities to facilitate the delivery of food aid. The SRRA is the humanitarian coordinating body of the main rebel faction, the Sudanese People's Liberation Army (SPLA), which controls much of the areas where food is being delivered. The SRRA functions as the defacto administrative body for most of the rural areas where the food aid need is highest. The NGO and USAID personnel involved in this enormous humanitarian effort face a difficult challenge in an area of civil war. Nonetheless, by moving over 49,000 metric tons (mts) of U.S.-donated food to distribution points in southern Sudan—enough food to feed an estimated 340,000 people for a year³—the Sudan Field Office (SFO) has made a positive impact on the tragedy of southern Sudan. Our personal

³ Based on the NGOs' estimated monthly allotment of 12 kilograms of food aid per person.

observations and audit testing has convinced us that hundreds of thousands of Sudanese would not be alive today if it were not for USAID emergency relief.

The NGO community is making a dedicated attempt to accomplish their humanitarian objectives in a hostile environment under severe operational and security constraints. As an example, in 1992, four aid workers were killed in southern Sudan during an attack by an unidentified group of soldiers. Further, transport vehicles and drivers have been destroyed by explosions on mined roads. In addition, our observations during site visits confirmed that the NGOs often lacked basic conveniences in implementing program activities in the field. Most NGO staff at distribution sites lived in field tents or mud huts, without proper toilet and drinking water facilities, for weeks at a time.

On behalf of the United States, four NGOs were primarily involved in the food aid distribution process, including Catholic Relief Services (CRS), World Vision International (WVI), Norwegian People's Aid (NPA), and Mercy Corps International (MCI). MCI established an implementing partnership with the Association of Christian Resource Organizations Serving Sudan (ACROSS)⁴, the latter serving as the transporter and distribution agent on MCI's behalf. ACROSS eventually had to withdraw from this humanitarian effort. This small NGO faced insurmountable obstacles such as the theft of 14 mts of food by the SPLA and the lack of financial and other resources to effectively deliver food aid to an area of conflict.

This food aid operation is important because over a million war-displaced Sudanese people are dependent on humanitarian aid from USAID and other foreign governments and international organizations for survival. The USAID food program alone delivers food to more than 70 different distribution sites. Flights from Lokichokio to airdrop food typically take two to three hours one way, dropping food in sacks, and returning without landing. The number of people in need is continually increasing as the war intensifies and people are unable to raise their crops and feed themselves. Although the P.L. 480 food aid program in southern Sudan has been successful in averting massive starvation within its delivery areas, hunger and suffering continues on a large scale due to the long-standing civil war. The United States and other international donors face serious difficulties coping with the recurring rapid

⁴The Norwegian People's Aid is a non-profit humanitarian organization based in Oslo, Norway closely affiliated with the Norwegian labor movement. Ninety percent of the Norwegian People's Aid's funding comes from public sources, including the Norwegian government, USAID, and the United Nations. ACROSS has been involved in rehabilitation and development activities in the Horn of Africa region for the last 22 years, working through indigenous Sudanese churches and their relief organizations.

deterioration of the survival conditions of hundreds of thousands of people in southern Sudan.

The issue of security impeded the SFO staff's ability to monitor on site emergency food aid programs in southern Sudan. Due to the continual fighting, security and logistical constraints were placed on visits to southern Sudan. As a result, it was often difficult to obtain the necessary travel clearances from the U.S. State Department and/or the U.S. Embassy in Khartoum on a timely basis to carry out routine and unplanned monitoring visits. Also, for personal security reasons, the NGO staff could not always be present during the actual distribution process because there was a fear of being killed or captured by one of the sides in the fighting.

The audit identified six problem areas and we are making recommendations to improve the delivery system in several areas. Each of the issues was discussed with the SFO in REDSO/ESA and closed during the audit.

Diversions of Emergency Food Aid to Unintended Beneficiaries

The grant agreements and the transfer authorizations required food aid to be sent to Sudan to ease the emergency situation existing there. Towards this end, an enormous volume of food aid amounting to over 49,000 mts was distributed to sites in southern Sudan through Uganda and Kenya. However, losses and diversions still occurred. Some food losses, inevitably, will occur in a commodity distribution chain stretching over 850 miles (about 1,400 kilometers) inland to a country torn by civil war. Diversions are defined as those food commodities directed to unintended beneficiaries such as market profiteers and the military, as opposed to food aid losses from transport, leakage, spillage, etc. The audit disclosed some noteworthy incidents of both losses and diversions and a detailed listing is included as Appendix III.

Vegetable oil is the most valuable of the food aid commodities and in greatest demand. We observed large amounts of vegetable oil for sale on the open market in Koboko, Uganda, a town about 15 miles (25 kilometers) from the Sudanese border. The accompanying NGO official was certain this oil came from the Sudan P.L. 480 program. Reliable sources have indicated that vegetable oil is sold in a number of towns along the border of Uganda including Gulu and Kitgum, near the Sudan border. The source of the vegetable oil for sale is probably a combination of diverted resources and sales by displaced recipients to obtain other needed resources, according to a NGO official working out of Uganda. As a result of our observations, CRS has begun

limiting the amounts of USAID-donated oil given to recipients at one time to reduce the temptation to sell or barter oil excess to the individual family's immediate needs.

In another incident, 200 mts of sorghum valued at about \$100,000 that was being



Vendors in the market at Koboko, Uganda, 15 miles from the Sudan border, openly offer USAID-donated vegetable oil for sale by the bottle, March 1995.

transported for NPA was diverted from Mangalore, Sudan to Kaya, Sudan allegedly to feed SPLA troops. This was in violation of USAID policy, which prohibits emergency food aid from being used for military purposes. NPA officials believe the waybills were physically carried to Mangalore where they were fraudulently stamped by SRRA officials. REDSO/ESA Food For Peace office has asked NPA to fully investigate this matter and provide a full report and accounting as soon as possible. NPA stated they would resolve the matter or fully reimburse the U.S. Government. We found that NPA officials were in the process of investigating the diversion. Although this occurred in February/March 1995, which is subsequent to the audit period, we are disclosing it in this report.

When a diversion is brought to the attention of the SFO, several options are considered: (1) the responsible NGO is required to make every effort to recover the commodities if possible; (2) a letter is written by the SFO to the SRRA Secretary in Nairobi to take necessary actions to recover diverted commodities and to avoid such incidents in the future and; (3) some NGOs, such as CRS, will reduce future food aid provisions by the stolen or diverted amounts to act as a deterrent. In our opinion, these actions, as a whole, represent the most reasonable measures that can be taken under the circumstances.

Due to the magnitude of the program and the fact that loss reports were not being filed promptly, the audit *could not quantify* fully to what extent losses and diversions occurred during the audit period. However, the total losses and

diversions which *came to our attention* only amounted to about 1.5 percent of the food aid moved and distributed. Therefore, known diversions and other transport losses were not material enough to effect our opinion in answering the audit objective that the significant majority of the food aid is reaching the distribution points. Due to the emergency nature of this program in an area of civil war, we have no recommendations to make which would help avoid such diversions. In accordance with professional standards, we reported this matter to the Office of Inspector General's Nairobi Field Office of Investigations. The issue of loss reports not being filed promptly is the subject of a finding on page 15.

NGO Withdraws From Food Aid Effort Due to Inability to Deliver

In December 1993, Mercy Corps International (MCI), a U.S.-based NGO, signed an agreement with USAID to deliver 3,000 mts of food aid to specific areas of southern Sudan. MCI's implementation role was carried out by ACROSS, a subgrantee. Neither MCI nor ACROSS had ever planned or carried out a USAID P.L. 480 program before, although they had worked together previously in southern Sudan on a pharmaceutical distribution project. Eventually, ACROSS found it was unable to successfully distribute food aid commodities in southern Sudan and ceased food aid operations as of November 30, 1994. ACROSS only delivered 757 mts of their total commitment of 3,000 mts.

Primarily, ACROSS had difficulty transporting food aid to the agreed-upon territories in southern Sudan due to their inability to provide airlifts and airdrops. By the time ACROSS was to implement their proposal (two years after submission), which was based on road transport and availability of airlift support, the roads in their planned constituency of Sudan were no longer an option due to the war, the heavy rain, and the deterioration of road conditions. Also, ACROSS said it lacked the money to deliver the food aid by air.

On December 13, 1994, ACROSS sent a letter to REDSO/ESA seeking approval to transfer its remaining food aid stocks of about 1,850 mts to another NGO. Later, NPA, which had been delivering food in the same area as ACROSS, agreed to the transfer for distribution on behalf of ACROSS. However, in February 1995, the remaining food aid stocks were still in Kate Warehouse in Nairobi and the transfer had not been made. The SFO had to consult with USAID's Bureau for Humanitarian Resources Office of Food For Peace (BHR/FFP) in Washington prior to authorizing the transfer. The transfer authorization had not come from Washington and ACROSS had not provided a final accounting of money and food stocks to be transferred by February. At

that time, we visited two of the displacement camps—Bamurye and Manglalore—which were in an area that was to have been served first by ACROSS, then by NPA.

BAMURYE

Bamurye Camp was established in Sudan about 7 miles (11 kilometers) from the Uganda border in September 1994 after relocating from Kansuk, Sudan and was occupied by some 9,600 displacees at the time of our initial visit in February 1995. Partly due to the camp's relocation, the people in this camp had not received any food aid assistance since June 1994, according to the SRRA Secretary at the camp. We observed evidence of widespread disease and malnourishment in this camp, which confirmed the need for immediate food aid and other relief supplies. Finding enough food to survive in this hostile environment is a dangerous activity for the residents of this camp. Shortly before our site visit, 1 person was killed and 30 more captured by government forces out of a group of 39 people who went out searching for food near government lines about 12 miles (20 kilometers) away. This is one of many similar incidents that illustrate the desperate need for food aid. The nearby shelling of SPLA forces in Kajo Keji by government forces could be heard in the background. The ailing physical state of the people at Bamurye Camp was compounded by fear. Living conditions in the camp could only be described as deplorable.

Prior to our visit, Bamurye Camp had never been visited by any of the NGOs or other international organizations. Because of its relocation from Kansuk to Bamurye nine months before our visit, the exact location of the camp was not known to the NGO community. Immediately upon their arrival at their new location in September 1994, the camp residents had cleared a road path approximately 7 miles (11 kilometers) from the main road to Koboko, Uganda to the campsite in the hope of soon receiving emergency relief supplies. However, the road was *first used* in February 1995 when an auditor arrived to assess the needs in the camp.

MANGLATORE

NPA was the only NGO distributing food aid in Manglalore, Sudan, located about 28 miles (45 kilometers) from the Ugandan border, but their distribution only covered the Manglalore Displacement Camp of uncertain population. However, an estimated 24,000 *residents* (as estimated by the SRRA Secretary) of the village of Manglalore were also very much in need. The Manglalore village was not a part of the Manglalore Displacement Camp, but an established village a couple kilometers away. Government forces were only 19



A mother and child (left) rest under a shade tree in a displacement camp in southern Sudan while awaiting food distribution. Children in Manglalore (right) show the physical effects of undernourishment. Below, children line up for a daily feeding at a refugee camp in Labone, Sudan, run by Catholic Relief Services. October 1994-March 1995.



miles (30 kilometers) away from the Manglalore area and the residents were unable to harvest their crops because of the fighting nearby. In October 1994, ACROSS had delivered 100 mts of sorghum, lentils, and oil to the Manglalore village residents before it discontinued delivering emergency food aid. The SRRA Secretary for the Manglalore village gave the auditor a letter appealing for additional relief assistance. Among other issues, the letter stated that food delivered by ACROSS was very little and did not reach all of those in need. ACROSS had intended to distribute another 150 mts of food aid and advised the village SRRA Secretary of such, but discontinued delivering food aid before that could be accomplished. Upon inquiry, we found the residents of Manglalore village were still expecting the arrival of this 150 mts of promised food aid.

No NGO had filled the food aid gap left by ACROSS in Manglalore village. Supposedly, this was to be done by NPA in their acceptance to deliver food on behalf of ACROSS. However, in February 1995, ACROSS's remaining food aid stocks were still in Kate Warehouse in Nairobi and had not been transferred to NPA for distribution.

Like the situation we found in Bamurye, many of the residents in Manglalore village also tried to sneak to their crops in government held territory where they risked capture and/or death. Furthermore many displaced people from this area were seeking refuge across the border into Uganda. The SRRA Coordinator said about 10,000 Sudanese had crossed the border from Manglalore into Uganda. Malnutrition was also evident in the Manglalore village area.

After reporting these situations to the SFO, we returned to Bamurye and Manglalore for a follow-up visit in March 1995. We confirmed that as a result of our initial site visits, food aid had started being delivered to these locations. However, the camps' populations were increasing. For example, Bamurye had increased from 9,600 to 13,668 people in only a couple of months. The Camp Secretary explained that the camp population had swollen as people looked for food and a safe place to live. Emergency relief supplies is considered the most important factor in keeping displaced Sudanese from becoming refugees in other countries and in reducing border tensions with neighboring countries.

During the audit, we recommended REDSO/ESA:

- (1) Formalize the physical transfer of the remaining food aid stocks and internal transfer, shipping, and handling (ITSH) funding of approximately \$547,000 from ACROSS to NPA; and

(2) Ensure food aid is delivered to the Bamurye Displacement Camp and Manglalore village for immediate distribution and that these areas are included in the operational plans for future distribution.

The remaining MCI/ACROSS food stocks was transferred to NPA in February 1995 and the ITSH funding returned to the Bureau for Humanitarian Response/Food For Peace (BHR/FFP). NPA applied to BHR/FFP and got the ITSH funding to distribute the food it had received. We also found out that NPA had authorized food aid shipments to these areas in January 1995, though they had not arrived during our initial visit. We confirmed during our return visit that food was immediately distributed in Bamurye and Manglalore after the SFO and our office requested NPA to speed up the food delivery to these locations. Therefore, we now consider the recommendations closed.

Concern Over Population Estimates for Manglalore Displacement Camp

USAID funding of relief programs is provided through grant agreements on the basis of estimated populations. Thus, reasonable estimates are important for determining the amount of food aid necessary for distribution. Population estimates for Manglalore Displacement Camp could not be confirmed. This occurred because NPA had only recently begun food aid delivery to the Camp after taking over from ACROSS. The lack of reasonable estimates could result in excess food aid commodities being misdirected to the military or market profiteers.

Recommendation No. 1: We recommend REDSO/ESA require all nongovernmental organizations to ensure the reasonableness of population estimates by using headcounts and/or registries.

USAID funding of relief programs is provided through grant agreements on the basis of estimated populations. Thus, reasonable estimates are important for determining the amount of food aid necessary for distribution. During our return visit to Manglalore Displacement Camp, we tried to determine the validity of the population estimate given by SRRA officials during our initial visit. At the time, we received estimates ranging from 3,000 to 15,000 people. Unlike Manglalore village and the Bamurye Displacement Camp, Manglalore camp had been receiving some food aid, and there was no immediate concern for emergency needs. Upon closer examination, we could not find evidence to support the population estimates for Manglalore Displacement Camp. Food aid was being provided based on an estimate of about 13,000 displacees in the camp. However, the SRRA Camp Secretary was not able to provide us with

evidence to support that number. We were not invited to observe or visit the inside of the camp on either the first or the second site visit. In fact, the SRRA Secretary was being removed from his position (perhaps coincidentally) during our second site visit. We were not able to determine the reason for his removal or reassignment, nor were we able to talk with his successor.

U.S.-donated food aid should be delivered in sufficient quantities to serve the targeted population. However, when the population figures are exaggerated, then valuable resources which could be used to support this humanitarian endeavor elsewhere are misused. More importantly, excessive food aid delivery to an area of civil war can be used to feed the military, which is not permissible under the laws governing the use of Title II food aid. Excessive food aid also finds its way into the hands of market profiteers. These abuses defeat the purpose of U.S.-donated food aid, which is to help those most in need. Precautionary measures, such as population headcounts and registries, must be used to minimize the unacceptable consequences.

We recommended REDSO/ESA require NPA to provide a basis for their population estimates, such as registries or headcounts, before food aid is delivered. In response, REDSO/ESA raised the matter with the NPA expressing concerns about population estimates, some of which were provided by the SRRA, and the need for actual counts. NPA responded by sending a team to determine revised population estimates.

Suspended Food Aid Deliveries Could Affect 150,000 People

The objective of the Sudan P.L. 480 Program is to provide famine relief food to the needy population of Sudan. To accomplish this, sufficient financial resources need to be made available not only to procure food commodities, but to meet the costs of local handling and transport. We found that NPA was forced to discontinue all deliveries to Bamurye and Manglalore village in April 1995 because USAID's Washington Office of Food For Peace in the Bureau for Humanitarian Response (BHR/FFP) had not provided them with funding for internal transit, shipping, and handling (ITSH) costs.

In response to a request from BHR/FFP, NPA provided the Bureau an Annual Estimate of Requirements in July 1994, and the operational plan for 1995 was presented to the Bureau and the SFO in August 1994. However, the submitted plan became outdated as conditions in southern Sudan changed. Therefore, in March 1995, a revised plan was submitted by NPA, which had delivered about 14,000 mts of food aid since early 1994. After some of the other NGOs had withdrawn from NPA's constituent area because of insecurity and difficult

access, only NPA had remained to deliver food aid to populations of starving Sudanese.

According to the recent NPA relief plan, 150,000 of its target population of 285,000 displaced Sudanese were in desperate need and yet no funding for internal transport costs was available. The period of April through July is also the height of the hunger season—that time immediately preceding a harvest before the crops are ready to eat. According to NPA, lack of food aid in this period would severely effect the next harvest as well, since people without food would have little energy to plant crops, and thus create additional needs for food relief next year. Also, the wet season, when the ability to move food aid by road in Sudan is severely reduced, is fast approaching. When this happens, the alternative is delivery by air, which is far more expensive. However, NPA does not use air delivery. Therefore, with no other organizations delivering food aid in that area, no deliveries would be made unless transport funding to NPA was made available immediately.

On April 21, 1995, NPA informed REDSO/ESA they had been forced to halt delivery of P.L. 480 Title II emergency food commodities to southern Sudan because no ITSH funds remained. REDSO/ESA immediately sent a cable (Nairobi 5684, dated April 25, 1995) to BHR/FFP urging the bureau "...to approve at least an initial tranche of \$3 million in ITSH funds to NPA in order to avert a potentially life-threatening situation for highly vulnerable groups." We have subsequently established that BHR/FFP has provided an amount of \$3.7 million in ITSH funding to NPA and are therefore not making any recommendations.

A System for Tracking Inland Freight Losses and Claims Needs to be Established

The Sudan Field Office did not have a system to track food loss reports filed by NGOs and the claims made by them against third parties as required by USAID regulation. Because of the transfer of personnel assigned to the office, we could not determine why after more than a year a system was not in place. Therefore, the SFO did not know if the NGOs were following up on losses in the delivery process. Some of the NGOs did not always file loss reports promptly or pursue claims against transporters. For example, CRS had not filed any claims for over a year until our audit. We estimate that claims in arrears should have been filed totalling at least \$65,000 for all of the NGOs.

Recommendation No 2: We recommend REDSO/ESA require the nongovernmental organizations delivering food aid to southern Sudan to:

- 2.1 Recover claims amounting to at least \$65,000 for losses of food aid commodities which were determined to be the responsibility of the transporter; and**
- 2.2 Establish a system to ensure that loss reports are submitted timely, claims are filed promptly, and the status of losses, claims, and recoveries are shown in the organization's monthly or quarterly status reports.**

According to USAID Handbook 9 Section 8C2, mission food aid offices are responsible for reviewing reports of loss, damage, and improper distribution submitted by cooperating sponsors to ensure that the information presented is adequate and to determine whether a claim is justified.

Section 211.9 of AID Regulation 11 requires cooperating sponsors to:

- Report to USAID any loss, damage, or misuse of commodities;
- Provide detailed information on all losses exceeding \$500, including the action taken by the sponsor to recover or dispose of the lost or damaged commodities;
- Provide a copy of any claim made against a third party during the reporting period;
- Request instructions from the USAID as to whether legal action should be taken to pursue the claim; and
- Assign any claims that are not pursued by legal action to USAID.

The Sudan Field Office did maintain files for those loss reports submitted by the various NGOs. However, these files were incomplete because the sponsors delayed in sending the loss reports and filing claims against the transporters. Also, the Office did not maintain ledgers or an alternative tracking system that could provide instant information, such as the amount of outstanding claims, third parties involved, and the status of the claims.

The following are representative examples of loss reports and claims which were not submitted or filed promptly as required.

- During the month of January 1995, NPA provided the auditors copies of incomplete drafts of loss reports which it intended to send to USAID. We estimated that at least \$21,000 can be recovered in respect of these claims. Although they were still in draft form, a NPA official said that some of the losses had occurred in early 1994.
- In May 1994, CRS lost 205 bags of corn-soy blend valued at about \$5,000, but did not submit a loss report until September 1994.
- In January 1994, CRS lost 66 bags of lentils valued at \$2,475 due to diesel contamination, but the loss report was not filed until September 1994. A claim for this amount was not filed against the transporter until December 1994, 11 months later.
- ACROSS incurred a total of 36.4 mts of food commodity losses, valued at about \$22,540, during the audit period. However, only one loss, consisting of a diversion of 14 mts of food aid, was reported.
- CRS was behind in filing claims for inland freight losses of USAID food aid commodities. In December 1994, CRS submitted a total of 10 claims to their transporters amounting to about \$15,584, some of which had occurred more than a year before. During the audit period, CRS had lost food valued at about \$44,450 through its transporters but had not filed any claims.

We did not establish all the reasons for the inadequate monitoring of the loss reports and claims because the responsible officials for the SFO for the period under audit had since been reassigned. The NGOs attributed staffing constraints to their inability to submit loss reports and file claims on a timely basis. The SFO did not provide the required guidance in a prompt manner, and we estimate that claims amounting to at least \$65,000 (\$21,000 for NPA and \$44,000 for CRS as stated above) were not recovered. To correct this problem, we are recommending REDSO/ESA develop procedures that will ensure all losses are reported promptly and claims against third parties are filed in a similar manner.

Over 400 Metric Tons of Commodities Unfit for Human Consumption

The objective of the Sudan P.L. 480 Program is to provide famine relief food to the needy population of Sudan. To accomplish this, it is important that food is delivered with minimum loss and in a suitable condition for human consumption. However, we found that REDSO/ESA needs to follow-up on three consignments of food aid commodities that were determined to be unfit for human consumption. NPA borrowed 311 mts of maize from the World Food Program, valued at about \$124,400, that was subsequently found to be unfit. CRS bought locally 94 mts of red haricot beans valued at \$16,000 for relief distribution that were found to be too dried out to be cooked. These two incidents occurred because food aid commodities were not inspected prior to delivery. In a third incident, about \$13,000 worth of maize (24 mts) had to be abandoned in a desolate area of southern Sudan when the delivery trucks became immobilized in mud. Although this incident happened over a year ago, the trucks had never been recovered and the condition of the maize had not yet been confirmed. Therefore, NPA never filed a loss report. These three incidents represent losses totalling 429 mts of food aid which, without replacement, would not go to feed the people of southern Sudan. Total approximate value of these commodities is \$153,400.

Recommendation No. 3: We recommend REDSO/ESA:

- 3.1 Negotiate for the equivalent replacement of 311 metric tons of the unfit maize Norwegian People's Aid received from the World Food Program and ensure destruction of the unfit commodities;**
- 3.2 Determine the condition of the 24 metric tons of food that was abandoned in the desert and file a loss report if necessary; and**
- 3.3 Require all cooperating sponsors under the program to include in their procedures appropriate steps for ensuring the quality of locally- procured food is fit for human consumption before the food is purchased.**

The objective of the Sudan P.L. 480 Title II program is to provide relief to the needy population of southern Sudan. To accomplish this objective, it is important food commodities purchased for the program are delivered to the intended recipients in a timely manner and in sufficient quantity, with

minimum loss, and in a suitable condition for human consumption. While the vast majority of program commodities were received in suitable condition, the audit disclosed some exceptions.

- One of the cooperating sponsors under the program, NPA, had obtained 311 mts of maize from the World Food Program in February 1994. The food was received as a loan to be distributed in advance of NPA receiving its own food from USAID. However, NPA later discovered that the entire consignment, valued at \$124,400, was unfit for distribution as relief food. During our field visit in January, we found the food still lying in the open at the NGO's compound at Lokichokio, Kenya, heavily infested with weevils. A Government of Kenya health officer certified the food as unfit for human use, but according to NPA's field staff, did not advise on the method for destroying the food. The required loss report to USAID was not submitted.
- In May 1994, four trucks were hired by the NPA to carry maize to Kidepo in the East Equatoria Province of southern Sudan, but due to the onset of unanticipated heavy rains, two of the four trucks became completely immobilized in the mud. Two other trucks got stuck while trying to rescue the first two. At the time we visited the NPA base at Lokichokio in January 1995, NPA officials said the four trucks and their cargo had not been recovered. Although NPA officials had not visited the area, they believed the food was still consumable because it was well covered and the area was not inhabited. NPA stated that the area was very difficult to get to and that they were planning to return to the site for inspection, and possibly recover the food aid, if feasible. Thus, food valued at about \$13,000 remained abandoned in a remote area of the desert—far away from its intended recipients. Since NPA had not determined the condition or existence of the abandoned commodity, a loss report was not filed with USAID.
- In early 1994, Catholic Relief Services bought a consignment of 94 mts of red haricot beans from Kenya's National Cereals and Produce Board for distribution as relief food. The beans, valued at about \$16,000, were subsequently found to be unfit for human consumption because they were too dried out to be cooked.

The 311 mts of food at NPA's compound and the beans procured by CRS were lost because they were obtained without a quality inspection or otherwise someone ascertaining they were suitable for human consumption. The NGOs discovered the food was unfit only after they had taken delivery. As a result, about \$153,400 was spent on food aid commodities which have no benefit to the displaced people in southern Sudan. NPA's probable loss of 24 mts of food is a situation that could not be avoided. However, NPA does have the responsibility to verify the status of this food aid commodity (if feasible) and file a loss report upon determination that the maize is unsuitable for consumption. Since the maize has been abandoned in the desert for over a year, it is highly probable the commodity is infested or contaminated. Assuming a normal ration per person of 12 kilograms a month, the total 429 mts of food lost, or possibly lost, under the three consignments described above was sufficient to feed about 36,000 people for a month.

The SFO shared our concern that human lives may be saved by taking necessary action to avoid these conditions from occurring in the future. The SFO should require the implementing NGOs to seek replacement for 311 mts of maize and to devise appropriate procedures to ensure that all commodities purchased and delivered are fit for human consumption.

MANAGEMENT COMMENTS AND OUR EVALUATION

Responding to the draft report, REDSO/ESA Management concurred with the audit findings and recommendations. They stated that the SFO had found the audit extremely useful and timely as it had enabled them to establish and strengthen the systems for monitoring the southern Sudan humanitarian program now that the SFO had become part of REDSO/ESA/FFP. They also made editorial suggestions which we incorporated into the report.

On Recommendation No. 1, REDSO/ESA provided copies of letters sent to the cooperating sponsors prescribing new procedures for ensuring that recipient population estimates were accurate to avoid oversupply of food. They also undertook to make periodic visits to food distribution sites to verify the working of these procedures.

Regarding Recommendation No. 2, REDSO/ESA stated that the affected NGOs had started making recoveries as required by the recommendation and that to date \$23,000 had been recovered as a result of this effort. Further, they stated that they had established a new system for (1) tracking quarterly commodity utilization reports submitted by each cooperating sponsor, (2) filing of loss reports and other correspondence between USAID and the cooperating sponsors on each loss, and (3) filing and tracking individual claims made against third parties. In addition, REDSO devised new requirements for all sponsors to follow when reporting on losses, damage, misuse of program commodities, or filing of claims.

On Recommendation No.3, REDSO stated that they had negotiated with the World Food Program (WFP), who had agreed to replace the 311 mts of maize and assist the Norwegian People's Aid (NPA) in destroying the unfit food. On the 24 mts of food abandoned in the desert, REDSO instructed NPA to file a loss report detailing the reasons why the food had been abandoned, steps taken to recover it, and make a determination as to whether a claim needed to be made. Further, REDSO/ESA now requires quality testing of all food received from WFP, NGOs, or other sources by an appropriate authority.

On the basis of the actions described above, all the recommendations are closed on issuance of the report. The full text of REDSO/ESA's comments is included in this report as Appendix II.

APPENDICES

SCOPE AND METHODOLOGY

Scope

We audited the Southern Sudan P.L. 480 Title II (Emergency) Program in accordance with generally accepted government auditing standards. The audit was conducted from October 1994 through March 1995 and covered the two fiscal year periods between October 1, 1992, and September 30, 1994. Funding for fiscal year 1993 included \$47 million from USAID's Office of Foreign Disaster Assistance (OFDA), \$46 million from USAID's Office of Food for Peace (FFP), \$5 million from the U.S. Department of Agriculture, and \$760,000 for an anti-locust campaign. For 1994, the USG provided about \$92 million in food and other assistance to Sudan.

Field work was carried out at:

- The Sudan Field Office (SFO) in Nairobi, Kenya;
- Nongovernmental organization (NGO) site locations in Nairobi;
- Warehouses and docks at the port of Mombasa and Eldoret, Kenya;
- The United Nations base camp location in Lokichokio, Kenya;
- Selected distribution sites in southern Sudan including Natinga, Labone, Nabagok, Manglalore, and Bamurye, which represented areas where each of the four NGOs were distributing food aid during the audit period; and
- Northern Uganda, which included a segment of the delivery route.

We conducted our field work primarily along the delivery route from the port of Mombasa to the distribution sites in southern Sudan.

The SFO was formally established in Nairobi in March 1993 as a separate office outside of REDSO/ESA. The funding and staffing for the SFO was the responsibility of USAID's Food and Humanitarian Assistance/Office of Foreign Disaster Assistance (FHA/OFDA). In fiscal years 1992 and 1993, prior to the establishment of the SFO in Nairobi, FHA/OFDA and FHA/Food For Peace Office had responsibilities for the management and monitoring of Sudan humanitarian assistance programs. On October 1, 1994, the responsibility for the Sudan program was formally assumed by REDSO/ESA. Audit evidence gathered included oral explanations and documentation from the staff at the SFO, warehouses of P.L. 480 commodities, and the offices of the NGOs.

We negotiated with the SFO and obtained written representations for all essential assertions related to our audit objective. A detailed description of the types and sources of evidence and the techniques of obtaining it is given below.

Methodology

The audit objective was to determine whether USAID's SFO and the co-operating sponsors ensured that food commodities were properly delivered to the distribution sites. The audit focused on the delivery system during the period October 1, 1992, through September 30, 1994. This delivery system represented the essential framework to assure the timely and sufficient delivery of P.L. 480 Title II commodities from port of arrival to established points of distribution.

To address the audit objective, we reviewed and tested documentation and interviewed officials of the SFO, the World Food Program, and the NGOs.

We reviewed the NGOs' transfer agreements, their operational plans, and their performance reports. Also, we reviewed their systems of receiving and distributing the food aid, observed the handling of commodities at the port, and interviewed the clearing agents and cargo surveyors and reviewed their survey reports. We also visited the warehouses, both commercial and those owned by the NGOs, in which food is stored after arrival at the ports. We

reviewed their storekeeping procedures and traced samples of the commodity deliveries from warehouses to the inland storage points along the delivery route in Kenya, Uganda, and southern Sudan.

We visited sites in southern Sudan including displacement camps, food aid distribution centers, and villages to observe food aid distribution activities and assess the effectiveness of the USAID emergency assistance effort. At these sites, we interviewed the NGO's field officials, food aid monitors, and officials of the Sudan Relief and Rehabilitation Agency (SRRA), which is the Sudanese humanitarian relief component of the Sudanese People's Liberation Army (SPLA), one of the main rebel factions at war with the Government of Sudan. We participated in an airdrop of food aid commodities to observe and review procedures.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE
FOR EAST AND SOUTHERN AFRICA (REDSO /ESA)

United States Postal Address
U.S.A.I.D./REDSO/ESA
UNIT 64102
APO AE 09831-4102

International Postal Address
POST OFFICE BOX 30261
NAIROBI, KENYA
TEL: 254-2-331160
FAX: 254-2-330945 / 219301

MEMORANDUM

To: Everette B. Orr
RIG/A/Nairobi

From: *EH*
Ron Harvey, A/Director, REDSO/ESA

Subject: REDSO/ESA's Response to Draft Audit Report No.
3-650-95-xxx

Date: August 4, 1995

REDSO/ESA's response to the draft audit report, attached herein, is divided into three parts. The first part discusses some recommended changes to some of the words or phrases used and well as requests for the addition of some new sentences. The second part deals with specific responses to the draft audit report's recommendations. The third part includes some final comments and conclusions.

With the responses contained in this memorandum, along with the attached relevant correspondence to our cooperating sponsors and WFP, we believe that REDSO/ESA has adequately addressed all of your concerns and recommendations. Therefore, REDSO/ESA hopes that all of your outstanding recommendations will be considered closed by the time your final audit report is submitted. Should you require any additional information or clarification, please feel free to contact the Sudan Field Office at REDSO/ESA/FFP.

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REDSO/ESA's Response to Draft Audit Report No. 3-650-95-xxx

I. Editorial Comments: There are a few places in the draft audit report which REDSO/ESA recommends RIG/A/Nairobi revise to correct factual mistakes and/or add additional information to make the report more accurate.

A. Within the Executive Summary:

1. In the Executive Summary, on the bottom of page i and top of page ii the draft report refers to the Association of Christian Resource Organizations Serving Sudan (ACROSS) as one of the four NGOs implementing emergency food programs in southern Sudan on behalf of USAID. In fact, ACROSS was not acting as a cooperating sponsor for USAID. Our agreement was with Mercy Corps International (MCI), and it was MCI who established an implementing partnership with ACROSS whereby ACROSS served as the transporter and distribution agent on MCI's behalf. USAID would legally hold MCI liable for meeting Regulation 11 guidelines, and not ACROSS. Perhaps it would be useful to add some kind of footnote and perhaps use the acronym MCI/ACROSS when this program is referred to.

2. On page ii of the Executive Summary, in the second sentence of the second paragraph we recommend that you add the word "humanitarian" between "other" and "assistance". Adding the word "humanitarian" provides a more accurate characterization of the type of assistance we are providing to Sudan, as we are legislatively prohibited from providing anything but humanitarian assistance at present to the Sudan.

3. In numerous places in the draft report, you refer to the Southern Sudan Field Office (SSFO). Although both Southern Sudan Field Office (SSFO) and Sudan Field Office (SFO) had been used here more or less interchangeably, we would rather see the phrase Sudan Field Office (SFO) used, as this is the only phrase that is used at this time.

4. It would be desirable to add a sentence before the last sentence of the second paragraph at the top of page ii in the Executive Summary along the following: "From March 1993 through September 30, 1994, the SFO was an autonomous management unit not officially part of REDSO/ESA." Then, the word "Sudan" should be added in front of the phrase "Field Office" in the last sentence of this paragraph.

5. The World Food Program (WFP) was also a large recipient of PL 480 Title II emergency food aid in southern Sudan, and although WFP was not included in the scope of your audit, they were a major recipient of the 49,000 mt of Title II food to Sudan in FY 93 and FY 94. Thus, you may want to add something to this effect

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in the top of page iii of the Executive Summary or some other location. I've attached an official breakout of all of our Title II emergency programs for the Sudan in FY 93 and FY 94. The total tonnages which were approved for the PVOs which your draft report included for FY 93 and FY 94 (southern Sudan only) amounts to 71,605 mt. The total amount which was provided to WFP during FY 93 and FY 94 was 113,358 mt. Out of this total, 59,118 mt was provided for assistance to Eritrean refugees in north eastern Sudan. The remaining balance of 54,240 mt was used by WFP to support emergency programs in Sudan, with the bulk of it being used in southern Sudan. The total tonnage of all of USAID Title II emergency food aid to all of the Sudan in FY 93 and FY 94 was 222,069 mt with a total value of \$115,063,600 (includes ocean and internal freight costs).

6. In the second paragraph on page iii of the Executive Summary, the last sentence uses the phrase "noteworthy incidents" when referring to losses and diversions amounting to 1.5% of the total food aid delivered to southern Sudan. While we remain concerned about all losses and diversions, we would not characterize losses and diversions totalling 1.5% as noteworthy, especially under the difficult operating environment in southern Sudan. I know of numerous examples in which even port losses total more than 5% in countries which are not experiencing civil strife, and sometimes such losses are not even considered noteworthy. I would therefore recommend that the word "noteworthy" be dropped. However, perhaps another sentence at the end of this paragraph could be added along the following line: "While such a loss might not be considered noteworthy or significant under such a dangerous operating environment as exists in southern Sudan, it is still a concern, and measures need to be taken to reduce the potential for such losses and diversions and accurately report on such losses as they occur."

7. In the last paragraph of page iii of the Executive Summary, you use the word "subcontracted" to characterize the relationship between MCI and ACROSS. I believe a better phrase would be "Mercy Corps established an implementing partner relationship with ACROSS..." In this same paragraph, you discuss ACROSS's inability to transport the food aid because of a lack of funds for airlifts/airdrops. It might be useful to add an additional sentence along the following line: "Security constraints made road transport extremely dangerous or even impossible to undertake as MCI/ACROSS's plans originally called for, and no additional funds could be identified for airlifting or airdropping the commodities."

8. On the first paragraph of page iv of the Executive Summary, you mention that by February food had not yet been transferred from MCI/ACROSS to NPA. Later on in the draft report, you confirm that the food had actually been transferred to NPA (although at a later date). Perhaps you could add a sentence

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along the following line: "By the end of February, it was confirmed that the balance of commodities had all been transferred from MCI/ACROSS to NPA."

B. Within the Main Body

1. On page 3, please make the same changes as discussed in nos. A.3 and A.4 above.
2. On page 5, in the third paragraph, we would again recommend that you either use MCI rather than ACROSS, or use MCI/ACROSS for the reasons stated in no. 1 under the Executive Summary section above.
3. At the bottom of page five in the last full sentence, we recommend that you add the following phrase after the phrase "on a large scale: "due to the long standing civil war."
4. On page 10, in the fourth paragraph you note that food aid had started to be delivered to Bamurye and Manglalore. Perhaps you could add the phrase: " after RIG/A/Nairobi and the SFO had formally requested that NPA try to speed up the delivery to these locations."
5. On the bottom of page 10, you state that ACROSS food stocks and funding (ITSH) were transferred to NPA. For reasons stated above, you should either MCI or MCI/ACROSS. Also, the ITSH funds were not transferred to NPA, as BHR/FFP instructed us to have MCI return the funds back to BHR/FFP. Subsequently, NPA formally requested the BHR/FFP provide additional ITSH funds to transport the food received from MCI, and has received such funds.
6. On the top of page 12 you discuss the problem of excessive food and that it may be used to feed the military, which is not the objective of emergency food relief. It might be useful to add something to the effect that providing food aid to military personnel is not permissible under the laws governing the use of Title II food aid.
7. In the wording of recommendation 3.1 on page 16, we suggest you add "NPA" between "unfit maize" and "received."

II. Specific Comments/Responses to the Recommendations

A. Recommendation No. 1: We recommend REDSO/ESA require all NGOs to ensure reasonableness of population estimates by using headcounts and/or registries.

REDSO/ESA shares your concern regarding the difficulty in confirming population estimates for the Manglalore Displacement Camp and in general that inaccurate estimates of the target

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population could result in excess food aid commodities being delivered and diverted for uses which it was not intended for. We also agree that NGOs implementing emergency food aid programs in the Sudan need to take precautionary measures, such as population headcounts, registries, commodity end-use verification, and various other means to reduce the vulnerability for inaccurate target population estimates. In recent discussions with all of our current cooperating sponsors (NPA, CRS and WVI), we expressed the need to continuously update and verify target population estimates for their emergency food programs. In addition, we've instructed our cooperating sponsors to (1) utilize the food economy methodology, where appropriate, for better understanding the food economy in each area and identifying/quantifying the food deficits which should be made up by emergency food aid, and (2) shift the responsibility for the distribution of emergency food commodities away from the SRRA or RASS and move towards establishing village relief committees whose composition is made up of more than 50% women to carry out the distributions.

It should be noted that all of our cooperating sponsors have recognized the need to continuously update and verify through various means the estimates for their target population and strengthening their monitoring and commodity management systems. Our office will also take advantage of field monitoring visits and information obtained from other NGO personnel to try to independently verify the accuracy of population estimates for our Title II emergency food programs.

We have sent letters to each of our cooperating sponsors regarding the need to constantly update and verify their population estimates and stating that USAID will require each cooperating sponsor to provide us with a justification for the basis of their target populations for each of their distribution sites. As a result of our discussions and correspondence with our cooperating sponsors on these issues, REDSO/ESA hopes that this recommendation will be closed.

B. Recommendation No. 2: We recommend REDSO/ESA require the non-governmental organizations delivering food aid to southern Sudan to:

- 2.1 Recover claims amounting to at least \$65,000 for losses of food aid commodities which were determined to be the responsibility of the transporter: and
- 2.2 Establish a system to ensure that loss reports are submitted timely, claims are filed promptly, and the status of losses, claims and recoveries are shown in the organization's monthly or quarterly status reports.

We agree that the Sudan Field Office did not have an adequate

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system in place for tracking the food losses/damages and individual claims made against third parties. The SFO has recently established a suitable system which (1) tracks quarterly commodity utilization reports submitted by each cooperating sponsor, (2) establishes an individual file for each loss reported by cooperating sponsors and correspondence between USAID and the cooperating sponsors on each loss, and (3) establishes a claim file for tracking individual claims made against third parties.

Back in May, we sent all cooperating sponsors correspondence which outlines their responsibilities for reporting on losses, damage or improper utilization of PL 480 Title II commodities and the filing of a claim when appropriate. As a follow-up to this, we have also sent cooperating sponsors correspondence which specifically states that they are responsible for establishing an adequate system to ensure that loss reports are submitted to USAID on a timely basis, that claims are filed promptly, and that the status of losses, claims and any recoveries are shown in their quarterly status reports. With regards to the claims amounting to at least \$65,000 against transporters, we have instructed our cooperating sponsors to begin instituting claims against their transporters to recover these amounts as well as the need to file claims on a more timely basis. CRS has informed us that they have already collected about \$23,000 and will be submitting a check to USAID shortly and are following up on the remaining outstanding claims. NPA has informed us that they are in the process of filing claims against their transporters, but have not yet received any funds. SFO will maintain close contact with both CRS and NPA to see that all outstanding claims are acted upon and will keep RIG/A/Nairobi informed on this status.

C. Recommendation No. 3: We recommend the Sudan Field Office of REDSO/ESA:

- 3.1 Negotiate for the equivalent replacement of 311 metric tons of the unfit maize [NPA] received from the World Food Program and ensure destruction of the unfit commodities.
- 3.2 Determine the condition of the 24 metric tons of food that was abandoned in the desert and file a loss report if necessary, and
- 3.3 Require all cooperating sponsors under the program to include in their procedures appropriate steps for ensuring the quality of locally-procured food is fit for human consumption before the food is purchased.

We share your concern about the importance of ensuring that any food commodities intended for distribution to the targeted

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beneficiaries is of good quality, fit for human consumption. In discussions between NPA, WFP and the Sudan Field Office a few months back, we raised the issue of the 311 mt of damaged/unfit maize which WFP provided to NPA. WFP stated that they would definitely replace the 311 mt of maize in question to NPA and also stated that they should be in a position to assist NPA to get the necessary authority from the Government of Kenya to destroy the damaged maize in an appropriate manner. The Sudan Field Office has recently written a letter to WFP as a follow up to this conversation.

With regards to the 24 mt of food, we have instructed NPA to file a loss report which includes information on why the food had to be abandoned and what steps were taken to try to recover the food and determine whether or not a claim should be filed. As a reminder, we are requesting that our cooperating sponsors take the necessary steps to ensure that any food commodities procured locally, or received from WFP or other NGOs as a loan, borrowing or transfer, that the quality of the commodity is tested by an appropriate source to determine the quality of the commodity before it is accepted and distributed. The importance of maintaining good storage facilities with regular fumigation was also highlighted.

III. Additional Comments/Conclusions

As stated in our previous correspondence and in our meeting with RIG/A/Nairobi, REDSO/ESA was pleased that your office carried out this audit, as it has enabled RIG/A/Nairobi to better appreciate first hand the difficulty of carrying out humanitarian relief efforts under complex emergencies such as southern Sudan and the difficult and often dangerous operating environment that such programs have to work under. We also found the audit extremely useful and timely, as responsibility for managing the southern Sudan humanitarian program now lies within REDSO/ESA. As a result of your findings and recommendation, the Sudan Field Office has taken appropriate steps to establish or strengthen management and monitoring systems within REDSO/ESA/WFP to ensure that our cooperating sponsors are fulfilling their responsibilities, taking into account the operating environment.

With the responses contained in this memorandum, along with the attached relevant correspondence to our cooperating sponsors and WFP, we believe that the SFO has adequately addressed all of your concerns and recommendations. Therefore, REDSO/ESA hopes that all of your outstanding recommendations will be considered closed by the time your final audit report is submitted. Should you require any additional information or clarification, please feel free to contact the Sudan Field Office at REDSO/ESA/WFP.

(C:\RIGRESP.795 8/4/95, LMServe)

P.L. 480 FOOD COMMODITY LOSSES AND THEIR CAUSES

FOOD ITEM	METRIC TONS	EST. \$ VALUE	NGO	LOSS REPORTED	REASON FOR LOSS
Beans	94.4	16,000	CRS	YES	Did not soften on cooking
Corn/Soy Blend	10.2	5,100	CRS	YES	Contamination during storage.
Sorghum	14	7,700	ACROSS	YES	Diversion by the SRRA*
Sorghum	4.8	2,800	CRS	YES	Spoilage
Lentils	5.5	4,125	CRS	YES	Spoilage
Veg. Oil	14.3	17,160	CRS	YES	Theft at the Kenya/Uganda border*
Veg. Oil	13.9	16,680	CRS	YES	Theft at Uganda/Sudan border*
Sorghum	30	16,500	CRS	YES	Theft on the road*
Malze	24	13,200	NPA	NO	Transit loss (trucks stuck in mud)
Malze	311	124,400	NPA	NO	Spoilage (reportedly before procurement from WFP)
Malze	8.2	4,510	NPA	NO	Transit loss
Sorghum	11.2	6,160	NPA	NO	Transit loss
Sorghum	5.7	3,125	NPA	NO	Transit loss
Lentils	1.6	1,200	NPA	NO	Transit loss
Veg. Oil	7	8,400	NPA	NO	Transit loss
Malze	20	11,000	NPA	NO	Spoiled by rain within NGO compound
Malze	4.9	2,695	NPA	NO	Transit loss
Veg Oil	1.2	1,440	NPA	NO	Transit loss
Veg. Oil	3.2	3,840	NPA	NO	Transit loss

SOURCE: REDSO/ESA and nongovernmental organizations.

This table includes only the more significant losses that were brought to our attention, and excludes sea losses and numerous, but smaller, losses that inevitably occur in a program of this nature. The estimated values include estimated ocean and inland transportation costs.

Thefts and diversions comprise 25 percent of the losses in this schedule.

P.L. 480 FOOD COMMODITY LOSSES AND THEIR CAUSES

(CONTINUED)

FOOD ITEM	METRIC TONS	EST. \$ VALUE	NQO	LOSS REPORTED	REASON FOR LOSS
Malze	7.5	4,125	NPA	NO	Transit loss
Veg. Oil	5.1	6,120	NPA	NO	Transit loss
Malze	2.3	1,265	NPA	NO	Transit loss
Sorghum	10.6	5,830	WVI	NO	Transit loss
Sorghum	10	5,500	WVI	YES	Diversio n by SRRA*
Sorghum	1	550	NPA	NO	Transit loss
Sorghum	12.2	6,710	CRS	YES	Looted by the public*
Lentils	5.5	4,125	CRS	NO	Transit loss
Veg. Oil	3.5	4,200	CRS	NO	Transit loss
Lentils	2	1,500	CRS	NO	Transit loss
Lentils	1.9	1,425	CRS	NO	Transit loss
Lentils	3.3	2,475	CRS	NO	Transit loss
Lentils	1	750	CRS	NO	Transit loss
Veg. Oil	30.2	36,240	CRS	NO	Transit loss
Veg. Oil	5.6	6,720	CRS	NO	Stolen by SRRA*
Veg. Oil	1.2	1,440	CRS	NO	Transit loss
Sorghum	67	36,850	NPA	NO	Diversio n by SRRA*
Sorghum	20	11,000	WVI	NO	Diversio n by SRRA*
Sorghum	11.7	6,435	WVI	NO	Diversio n by the SRRA*
Veg. Oil	3	3,600	CRS	NO	Transit loss
Total	789.7	\$412,695			

SOURCE: REDSO/ESA and nongovernmental organizations.

This table includes only the more significant losses that were brought to our attention, and excludes sea losses and numerous, but smaller, losses that inevitably occur in a program of this nature. The estimated values include estimated ocean and inland transportation costs. Thefts and diversions comprise 25 percent of the losses in this schedule.

**Regional Inspector General
for Audit, Nairobi, Kenya**

**Tim Elkins, Audit Manager
Roosevelt Holt, Auditor-in-Charge
Nelson Kaburu, Auditor
Peter Mwai, Referencer
Derald Everhart, Editor**